

General Ledger Reporting 101



Maine Holder Seminar

Anthony D'Alleva

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General Ledger Reporting

What is it?

- The review and filing of a Holder's intangible property in accordance with the various compliance reporting requirements of the states/jurisdictions

Topics for Discussion

- Areas of Exposure
- Determining Eligible Property
- Takeaways/Best Practices



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Areas of Exposure

GL Property Types to Review



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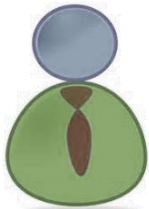
Common Property Types



Expenses



Accounts Payable



Employees



Payroll



Customers



AR Credit Balances

Other Types – Industry Driven

Retail / Manufacturing

- ☐ Unredeemed Gift Certificates
- ☐ Unredeemed Stored Value Cards
- ☐ Commission Payments
- ☐ Workers' Compensation Checks

Financial Institutions

- ☐ Checking and Savings Accounts
- ☐ Matured CDs
- ☐ Security Deposits
- ☐ Trust Accounts
- ☐ Unidentified Deposits

Other Types – Industry Driven (cont.)

Utilities

- ☐ Utility Deposits
- ☐ Refunds and Rebates
- ☐ Membership Fees
- ☐ Court Ordered Refunds
- ☐ Royalties
- ☐ Special Assessment Fees

Health Care

- ☐ Patient Credit Balances
- ☐ Unidentified Remittances
- ☐ Self-insurance Payments
- ☐ Debt/Interest Checks



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Areas of Exposure

Determination of Exposure



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Steps in Determining Exposure

Analyze Corporate Structure & brainstorm applicable property types

Review appropriate financial accounts/ledgers & identify accounts potentially holding unclaimed property

Identify all cash related accounts & any other miscellaneous income, write-off or suspended accounts

Determine the bank accounts/reports associated with each of these accounts & review accordingly

Review contracts with service providers & understand who has taken responsibility for the review/reporting of aged items



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Determining Eligible Property

Cash Accounts



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Review of Cash Accounts

Where to Start?

- Review policies surrounding the process – maintenance of Outstanding Check Lists, Void/Replacing Checks, Stale Dated Checks
- Identify bank accounts associated with the accounts (including predecessor/successor accounts)

What to Review?

- Aged Checks on Outstanding Check Lists
- Stop/Void Checks that were Reissued
- Stop/Void Checks that were Not Reissued
- Uncashed or Refunded Items from Third-Party Admins



Review of Cash Accounts

Determination of Liability

- Abandonment begins the date the original liability was issued
- Is the owner aware of the property?
- Was the original check reissued – automatically vs. at the request of payee?
- Was the original check not needed?
- DOCUMENT AND RETAIN INFORMATION SUPPORTING THE RESOLUTION – ESPECIALLY VOIDS





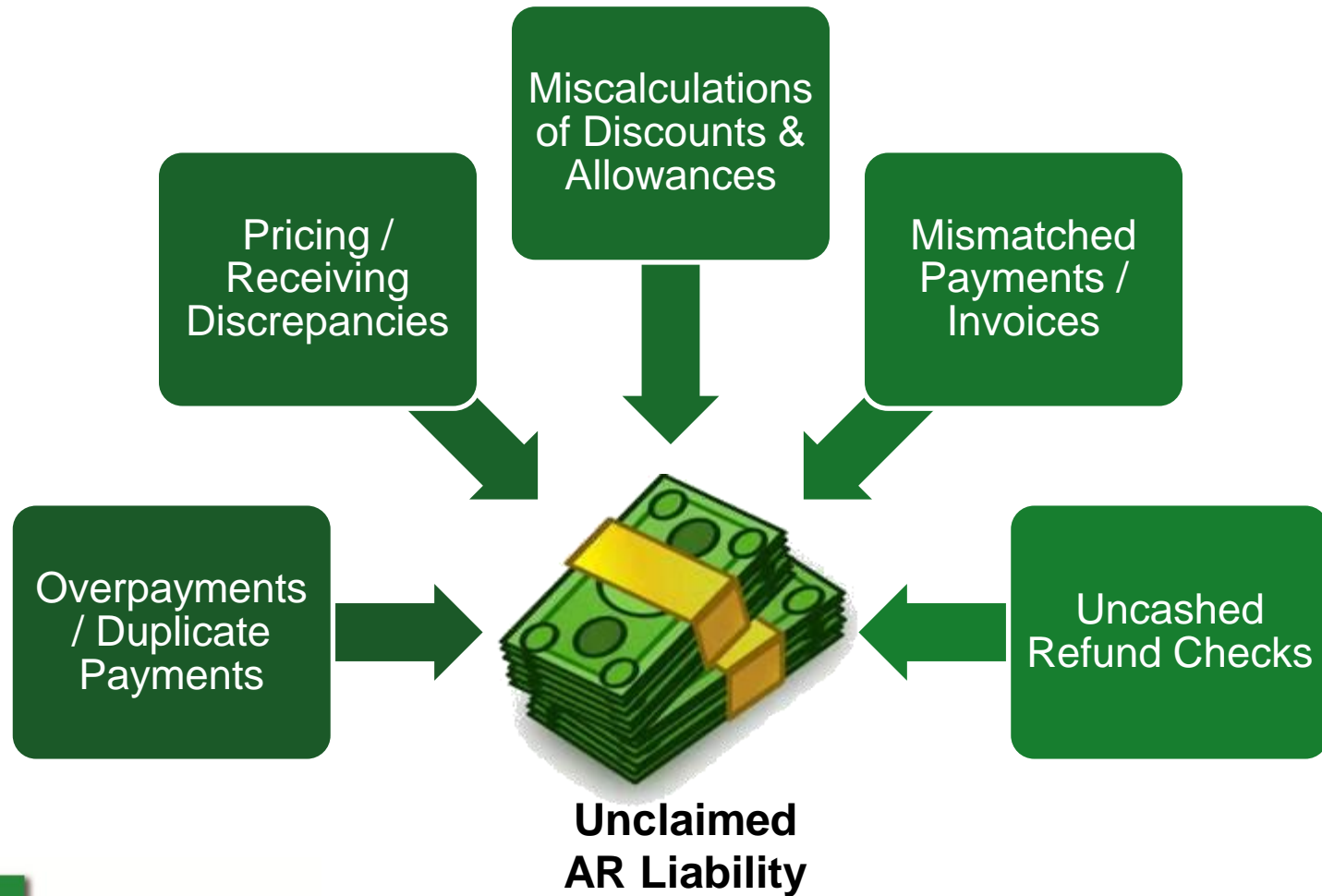
Determining Eligible Property

Accounts Receivable



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Common Causes of AR Liability



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Review of Accounts Receivable

Where to Start?

- Review policies surrounding the process – maintenance, purging, refunds, write-offs
- Gather data on related parent and subsidiary accounts and customers with multiple accounts

What to Review?

- Stale Dated Credits on AR Aging Reports
- Journal Entries / Transactions attributed to items removed from Trade AR



Stale Dated Credits

Revolving vs. Stand Alone Credits

- Stand Alone Credits are more likely to go unclaimed as owner is usually not aware of the credit balance
- Both considered unclaimed when aged 3 years

Authenticating the Credit

- Abandonment begins the date the credit was first created
- Is the credit balance owed to another business entity?
- Is the credit an accounting or clerical error?
- Can credit be applied to outstanding balance or prior bad debt?
- Can the owner be located and the amount refunded?
- DOCUMENT AND RETAIN INFORMATION SUPPORTING THE RESOLUTION



Treatment of Write-Offs

Small Balance Write-Offs

- The law does not allow write-offs of small credit balances to income or to offset an unrelated customer's debit balances

Determination of Net Credit Write-Offs

- All debits/credits related to customer receipts should be aggregated – Isolating transactions can be tricky
- Transactions may cross several business units/entities, numerous write-off accounts, and multiple related customer accounts
- **MAINTAIN DETAILED JOURNAL ENTRY EXPLANATIONS AND UTILIZE TRANSACTION CODES TO HELP SIMPLIFY THE PROCESS**





Determining Eligible Property

Unapplied Cash/Deposits



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Review of Unapplied Cash/Deposits

What are they?

- Payments received by a company that cannot be matched to an account and allocated to a liability account for review
- Reasons may include recoveries for an in-active customer, incorrect account number/address or customer name
- Common Account Names include “Unapplied Cash”, “Unidentified Remittances” and “Unapplied Payments”
- Transactions are sometimes posted to a DUMMY customer account



Review of Unapplied Cash/Deposits

Why are they often overlooked?

- Amount falls below materiality threshold
- Payments generally do not appear on aging reports
- Payments held with intention of future matching

Who is most affected?

- Financial Institutions – overnight deposits, mail deposits, and missing deposit slips
- Insurance/Utilities/Hospitals – payments made by 3rd parties
- Any company with a large volume of direct billings to customers

Review of Unapplied Cash/Deposits

What to Review?

- Identify and Review “Dummy” accounts as you would stale dated credits existing on a customer account
- Identify and Review all credits posted to the liability account(s)
- Unknown payees do not allow for any netting of credits against debits



Determining Eligible Property

Suspense



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Review of Suspense Accounts

What are they?

- Accounts used to temporarily carry receipt or disbursement discrepancies pending their analysis and permanent classification

What to Review?

- Identify accounts in escheat status
- Review all aged items based on Production Date

Review of Suspense Accounts

Determination of Liability

- Understand & Monitor Suspense Codes
- Regularly pull reports and review based on Production Date
- Continuously work to minimize suspense balances

Pay To Current / Current Pay

- At the time an interest is presumed abandoned, any other property right accrued or accruing to the owner as a result of the interest is also presumed abandoned





Conclusion

Takeaways



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Takeaways

Companies of all sizes and industries generate potential unclaimed property liabilities

Reviewing the General Ledger is key in determining a company's exposure to the many property types

Analysis includes both aged items on the books and items that were written-off or never applied

Takeaways

TIP #1 - Make Reporting a Priority

- Gain support from CFO and high-level management
- Designate primary contacts from each department and form a team
- Educate key personnel and let them know what is at risk
- Routinely check UP laws for changes



Takeaways

TIP #2 - Establish Guidelines and Controls

- Maintain comprehensive written procedures for each financial accounting area
- Set up an unclaimed property liability account on your GL to streamline back-end process
- Conduct periodic reviews to identify and mitigate unclaimed items



Takeaways

TIP #3 - Work to Reduce Exposure

- Resolve accounting errors in a timely manner
- Invest resources in the research of unidentified payments and suspense accounts
- Encourage direct deposits, EFTs, wires and alternative forms of payment
- Perform internal due diligence routinely and pay owners where possible



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Takeaways

TIP #4 - Document & Retain Detailed Support

- Retain detailed documentation supporting all mitigation efforts
- Support all voids with documentation detailing resolution
- Correlate reissued payments to the original liability
- Retain documentation relating to settlement agreements with customers



Conclusion

Questions



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